

California State Emergency Program

Program Overview

Pursuant to the Governor's proclamation of a state of emergency on July 30, 2021 (Proclamation), the California State Emergency Program (CSEP or Program) will allow for utilities to compensate eligible participating customers (customers) enrolled in their utility's CSEP program for mobilization activities or incremental load reduction (energy -- kWh) activities during a specified event achieved through (i) reduced usage and/or (ii) use of backup generation (BUG). This program applies to events occurring between August 15, 2021 and October 31, 2021, unless extended by a subsequent order.

In accordance with the terms of the Proclamation, funding for the program will be state funds administered on a reimbursement basis by the California Department of Finance (Finance) to any investor-owned utility (bundled or unbundled, and inclusive of electric cooperatives) or publicly owned utility (utility), including reasonable administrative costs.

Eligibility

1. Customers must be able to provide an incremental load reduction greater than or equal to 500 kW of incremental load reduction per hour.
2. Participants may not dual participate with the Emergency Load Reduction Program (ELRP).
3. Participants may not dual participate with Demand Response Auction Mechanism (DRAM pilot, Rule 24/32, and the Capacity Bidding Program).
4. CSEP participants are eligible to dual participate in a IOU Demand Response program or rates program, such as Base Interruptible Program (BIP), Agricultural & Pumping Interruptible Program (AP-I), Critical Peak Pricing (CPP) and Real-Time Pricing (RTP), as long as they can meet the minimum size specified in Eligibility item 1.
 - a) PG&E customers enrolled with a BIP Aggregator may be eligible to dual participate for direct enrollment in the CSEP program as long as the customer can meet the minimum size specified in Eligibility item 1 and the customer is not dual enrolled in ELRP either directly or through an aggregator.

Participants' incremental load reduction activities are not eligible for CSEP payments if the incremental amounts are also counted towards an IOU Demand Response program or rates program, such as Base Interruptible Program (BIP), Agricultural & Pumping Interruptible Program (AP-I), Critical Peak Pricing (CPP) and Real-Time Pricing (RTP). Utilities' verification processes, submitted to Finance

per Eligibility item 8, shall identify their process for verifying that participants' activities or amounts will be appropriately applied to the CSEP.

5. Customers will directly enroll into the program through a pro-forma agreement, letter agreement, or Memorandum of Understanding (MOU) with a utility or the third-party administrator designated by the utility.
6. The following entities are not eligible to be participating customers in the program:
 - a) Co-generation participants with a Power Purchase Agreement (PPA)
 - b) Net Energy Metering (NEM) participants
7. Third-party Demand-Response Providers (DRPs) and Aggregators are not eligible to enroll in the CSEP program but their customers may be eligible for direct enrollment.
8. Using the enrolled customer template, participating utilities must submit to Finance an initial list of all participants enrolled by August 15th, or as soon as practicable thereafter, to signal participation in the program and describe participants' initial capacity for load reduction. This template shall indicate which of the two template submittal options and which of the two administrative cost options the utility intends to utilize. Participating utilities shall also submit alongside the template a memorandum describing their proposed process for:
 - a) Verifying the amount of load reduction or mobilization activities by participating customers for the purposes of calculating payments, and
 - b) Confirming that participating customers are not also receiving compensation under the ELRP program or other demand response programs.

Finance, in consultation with the Public Utilities Commission, will review the proposed processes and either:

- a) Communicate with each utility about concerns Finance has with the proposed process, OR
- b) Confirm with the utility that Finance's initial review has determined that the proposed process is reasonable.

Following the first submittal of the enrolled customer template, utilities will submit updated enrolled customer templates each Tuesday before 5pm to Finance to identify changes in customers or pledged reductions.

Following any load reduction or mobilization event, utilities shall provide an updated enrolled customer template to Finance within 24 hours of the end of the event. The updated enrolled customer template shall include the customers enrolled at the time of the most recent load reduction or mobilization event. For a given event, a utility is not eligible for reimbursement for the load reduction or mobilization activity of a customer if the customer is not included on either the enrolled customer template provided by the utility to Finance before an event, or the enrolled customer template provided to Finance within 24 hours of an event.

Compensation

Incentive payments from the State of California to the utility for triggered events will be at the rate of \$2/kWh for verified customer load reduction during a CSEP event.

Incentive payments from the State of California to the utility for participating customers who were advised of a potential event as a result of the California Independent System Operator (CAISO) Alert Warning Emergency (AWE) Day Ahead Alert Notice, who are not dispatched for any CSEP event hours on said day, will be at the rate of \$0.75/kWh per the customer bid for the duration of the anticipated mobilization window.

The utility is responsible for making payments to participating customers for their activities in the Program. A utility may retain a third-party administrator to administer that utility's CSEP program.

Customers will not be compensated for electricity export on CSEP.

Utilities will receive State of California reimbursement for expenditures as follows:

Load Reduction Process

1. If CAISO issues a system Alert (notice of anticipated resource deficiency for the next day), the utilities shall notify customer participants to prepare for load reduction during the time period of the Alert.
2. If CAISO enters a Grid Warning or Grid Emergency and publishes notice that load reduction under the CSEP is necessary, participating customers will reduce load as specified in their program commitments. Note that CAISO may publish the notice calling for load reduction even if no Alert was issued.
3. Utilities shall compensate customers at the rate of \$2/kWh for the load reduced during the time the program is called.
4. Utilities shall provide requested information for each event in the program reimbursement claim form (reporting template) and submit to Finance within the timelines identified in Load Reduction Process item 6.
5. Within 10 business days of the end of each month, participating utilities must provide to the California Air Resources Board the following information:

- a) How much (if any) backup generation their customer participants intend to use during a specified event,
 - b) Information on whether the backup generation is portable or stationary if available,
 - c) The federal emissions tier for each generator if available, and
 - d) An estimate of the total load reduction achieved by zip code.
- 6. Load Reduction Payments: To receive payments to reimburse customers for incremental load reduction activities using the option identified in the utility's initial enrolled customer template, utilities must either:
 - a) Submit a completed reporting template for each appropriate month to Finance within 10 business days of the end of each month, or
 - b) Submit a single reporting template for the entire program duration to Finance by February 28, 2022, subject to change if the Program is extended by Executive Order.
- 7. Administrative Cost Payments: To receive payments for reasonable administration costs using the option identified in the utility's initial enrolled customer template, utilities must indicate on the reporting template that the appropriate reasonable administration cost is:
 - a) Actual incremental costs incurred in administering the program up to \$5 million, such as costs derived from employee timesheets or invoices from contractors, pending specified conditions, and with indirect/overhead costs (not to exceed 10 percent of actual incremental costs), OR
 - b) 10 percent of incentive payments provided to customers.
- 8. After receipt of a utility's form(s) and Finance evaluation of dates and times of Alerts, Grid Warnings, and Grid Emergencies, Finance will send an executive order to the State Controller's Office with the amounts for each utility. If Finance subsequently conducts an audit and determines that an overpayment occurred, utilities must repay the overpayment amount in a manner and timeline determined by Finance.

Mobilization Process

- 1. If CAISO issues a system Alert (Load Reduction Process item 1 above), but then does not ultimately publish notice that load reduction under the CSEP is necessary (Load Reduction Process item 2 above), utilities shall compensate participating customers at the rate of \$0.75/kWh for mobilization.

2. To receive payments to reimburse customers for mobilization activities, utilities must indicate on the reporting template submitted per item 6 in the "Load Reduction Process" the date of each CAISO system Alert and the time period of the Alert and the amount of kW each customer committed to be reduced for the CSEP.
3. After receipt of a utility's form(s) and Finance verification of dates and times of Alerts, Grid Warnings, and Grid Emergencies, Finance will send an executive order to the State Controller's Office with the verified amounts for each utility. If Finance subsequently conducts an audit and determines that an overpayment occurred, utilities must repay the overpayment amount in a manner and timeline determined by Finance.

Audit Process

Utilities, including third-party administrators, must provide, upon the request of Finance, necessary documentation evidencing the claimed costs of the incentive program for which utilities seek payment, including documentation of costs claimed for load reduction activities, mobilization activities, and administrative costs. The documentation provided to support the utilities' CSEP activities must facilitate the tracing of information from, but not limited to, the enrolled customer template, the reporting template, the memorandum of process for load reduction or mobilization activities verification and eligibility of customers, to source documents and accounting records. Documentation to support claimed activities should be retained for no fewer than three years after the date of the final reimbursement claim by the utilities for audit or review by Finance. Failure to provide such documentation upon request of Finance, or a determination in an audit that the documentation is inadequate, will result in a requirement that utilities repay reimbursements monies in an amount and manner determined by Finance.

Finance reserves the right to modify these Guidelines as necessary to carry out the objectives of the Proclamation.